

available for 34 resale services. No manual intervention is needed for these services on BellSouth's side of the interface, and this includes the generation of firm order confirmations and completion notices related to these services. Collectively, these 30 resale services, which CLECs may order through EDI (and LENS), are the same services, which when sold to BellSouth's end user customers, represent 90% of BellSouth's Consumer and Small Business retail operating revenue. In other words, BellSouth's EDI interface for CLECs enables them to electronically order with flow-through the services most often requested by customers in BellSouth's region. Also, as mentioned in my OSS affidavit in ¶ 67, mechanized order generation became available as of October 6, 1997 for unbundled loops, unbundled ports, and interim number portability.

57. The DOJ refers to ¶ 113 of the affidavit of Jay Bradbury of AT&T as evidence that BellSouth does not provide electronic ordering through EDI for services which it can order electronically itself. The services Mr. Bradbury describes in his affidavit are "complex" services. BellSouth's explanation of the ordering of complex services appears ¶¶ 60-65 of my OSS affidavit. While it is true that CLECs are unable to order electronically certain services, due to their complexity, the same is true for BellSouth. The manual processes BellSouth uses for its own complex retail services customers are substantially the same processes used for the complex services offered to CLECs. For example, confirmations for complex services are not viewable in 24 hours for either CLECs or retail. Complex, variable processes are relatively difficult to mechanize, and BellSouth has concluded for its retail operations that mechanizing many lower-volume complex services would be imprudent, in that the benefits of mechanization would not justify the cost. Since the same manual processes are in place for both CLEC and

BellSouth retail orders, the processes are competitively neutral. If any CLEC, in exercising its independent business judgment, were to reach a different conclusion, it could request and pay the cost of complex service mechanization through a bona fide request. At this time, however, I know of no CLEC that has approached BellSouth about a joint development effort for mechanizing these processes. It appears that no CLEC in BellSouth's region is developing systems on its side of the interfaces to accommodate the inputting of complex orders.

58. Some CLECs complain that LENS cannot process change orders. Although CLECs are correct in this assertion, the EDI ordering interface, including the EDI-PC capability for smaller carriers, does process change orders, and LENS will handle change orders in the future. In the meantime, LENS processes a cancel order and then a new order. (Due date changes can be handled electronically now).
59. AT&T complains about specifying line class codes (LCCs) on each LSR (Local Service Request) where selective routing of call to AT&T's Directory Assistance and Operator Services is desired. LCCs are a required input by BellSouth and must be provided as feature detail or included with the class of service, which is required to generate an order. LCCs are used by the service order generator system as part of the mechanized service order generation.
60. For switch-as-is customers (customers who want to change their local service provider), since all of their features are converted to the CLECs, LENS is available for switch-as-is customers for all of their features, including multi-line hunt groups. EDI does handle multi-line hunt orders correctly, contrary to MCI's claim to the contrary. MCI needs to follow the procedures BellSouth gave to them. Also, to address MCI's complaint that

separate orders are required for directory listings, that is only true for switch-with-change orders; a separate order is not required for switch-as-is orders.

61. To address an MCI complaint on EDI additional listing documentation accuracy and that MCI had to remap its side of the interface, BellSouth told MCI in October that there was an error in the documentation, and also gave MCI instructions on how to remap its side of the interface. BellSouth's EDI documentation on additional listings is now correct (as of November).
62. ACSI and Sprint complain that BellSouth fails to acknowledge orders and provision them on a timely basis. For the weeks ending October 19 and November 9, 1997, BellSouth sent ACSI 68% and 100% respectively of ACSI's FOCs (firm order confirmations) in less than 24 hours, and an additional 29% were sent in 24-48 hours. For the weeks ending October 12 and November 16, 1997, BellSouth sent Sprint 86% and 70% respectively of Sprint's FOCs in less than 24 hours, with an additional 14% and 13% respectively sent in 24-48 hours.
63. AT&T alleges that FOCs and CNs (Completion Notices) that BellSouth transmits are "barebones" transmissions that do not identify the services actually ordered and installed by BellSouth. That is not true. As described in paragraph 75 of my OSS affidavit, the 855 and 865 (FOC and CN transactions respectively) do return the class and type of service to the CLEC. (To address an EDI claim, if an order is cancelled, EDI does send a FOC confirming the order cancellation.) LENS and EDI provide a FOC to resellers in the same manner as to facilities-based CLECs.

64. MCI on p.29 claims that BellSouth completed MCI's orders on its due dates only 66% of the time. That is incorrect. BellSouth completed 100% of its due dates for MCI orders for the month of November.
65. The DOJ criticizes, in footnote 23 of Appendix A, the 30-minute intervals at which BellSouth processes EDI orders. The DOJ apparently believes this was a unilateral decision by BellSouth, but overlooks the fact that BellSouth's initial EDI implementation was a joint development effort with AT&T. The 30-minute interval was established in the context of that joint development. This was discussed in my original OS affidavit in paragraph 69.
66. EDI processes supplemental orders electronically, notwithstanding a claim made by MCI to the contrary.
67. LCI complains about EDI problems, claims there were EDI system outages, excessive order response times, and lost/misplaced documents in the LCSC. BellSouth has worked closely with LCI, which now has a greater understanding of EDI and how to reduce input errors, so LCI is about to resume its EDI use. There were no EDI system outages. For the week ending November 23, 1997, LCI received 72% of its FOCs for LSRs in less than 24 hours, with an additional 26% processed in 24-48 hours. The complaint about "lost/misplaced documents" refers to a few orders which LCI claims it sent electronically, but which BellSouth did not receive. When they were resent, analysis showed most of these orders were due to LCI typographical errors.
68. AT&T claims that BellSouth failed to honor AT&T's requests to meet on the final EDI technical specifications. That statement is totally false. BellSouth met several times with AT&T on the EDI specifications, and agreement was reached on the EDI mapping.

AT&T also erroneously claimed that Phase II EDI has been implemented only as a stand-alone PC-based package, which is not suitable for large CLECs. That is another false statement. BellSouth offers EDI and EDI-PC; EDI is indeed intended for, and used by, large CLECs such as AT&T and MCI.

## **V. MAINTENANCE & REPAIR**

69. AT&T complains that the current T1M1 Electronic Bonding Interface (EBI) does not provide electronic flow-through to BellSouth's legacy systems. BellSouth has completed its development and internal testing of the T1M1 interface for local service, the Electronic Communications - Trouble Administration (ECTA) interface, as requested by AT&T. However, AT&T delayed the implementation of this ECTA interface to February 2, 1998. ECTA is a machine-to-machine interface; it provides electronic flow-through to BellSouth's maintenance systems.

## **VI. CAPACITY AND TESTING**

70. At page A-3 of the Evaluation, the DOJ discusses reasonably foreseeable demand volumes. Later, at page A-29, the DOJ cites current PIC change volumes as a basis for determining the number of changes per business day for local service in BellSouth's region. This is an inappropriate comparison, as it assumes that volumes will be the same in a mature interexchange market and an immature local exchange market. Further, the DOJ's reliance on the *Communications Daily* survey, which the DOJ cites on page A-29, assumes that CLECs simultaneously will enter and target all markets throughout the entire BellSouth region, and that CLECs will not postpone entry in some BellSouth markets initially to pursue more lucrative markets outside the BellSouth region.

71. The DOJ claims that BellSouth's systems have limited capacity. BellSouth's systems have about **90% excess capacity**. While BellSouth initially stated the capacity of these systems conservatively as 5,000 orders per day, that significantly understates the actual capacity because that figure assumes only a ten hour production day, when in fact, the system availability is at least 20 hours per day; a more realistic statement of the capacity therefore is 10,000 orders per day. This capacity is sufficient to handle reasonably foreseeable demand, based on the current forecasts, and is still quickly scaleable. To respond further to the DOJ's concern about the relationship of the systems capacity to the CLECs' forecasted ordering volume, the initial stated systems capacity of 5,000 orders per day was based on the CLECs' forecasts. BellSouth has already **doubled** that capacity to 10,000 orders per day in the production machines, and has additional capacity available to geometrically increase that capacity again if needed. BellSouth's systems capacity far exceeds the CLECs forecasted usage.
72. The DOJ complains about LENS' 160 simultaneous users capacity. LENS volume testing has shown LENS is now capable of handling 300 simultaneous users, using LENS' triplex of machines (three machines which are linked together to achieve desired capacity and distribute volume evenly). There are 15 machines available for LENS if needed, thus yielding a readily-available capacity of **1500 simultaneous users**. BellSouth continues to work on more performance improvements to increase this capacity, which is already significantly in excess of the demand. The DOJ also claimed that BellSouth had only seen an electronic ordering volume of 5,000 orders in August. Exhibit WNS-38 in my initial affidavit indicates that for August and September, BellSouth received and processed 10,000 and almost 17,000 orders respectively. In

October and November, BellSouth received and processed more than 24,500, and more than 29,000 orders respectively.

## **VII. DOCUMENTATION & TRAINING**

73. AT&T and MCI complain that BellSouth does not issue advance notice of systems changes. This is not true. BellSouth provides advance notice to the CLECs of major release system changes. For example, in September, BellSouth issued a letter to CLECs informing them of the new LENS features upcoming in the October 6, 1997 release of the electronic interfaces. Additionally, BellSouth has met with the large CLECs and is meeting with the smaller CLECs on a change management process, which will be published in January 1998.
74. AT&T and ACSI claim that BellSouth has provided inadequate training on LENS, and has failed to update the LENS Users Guide. As of October 29, 1997, BellSouth has trained personnel from 66 CLECs (177 CLEC trainees) on LENS. LENS training includes an overview as well as hands-on exercises. Students are shown procedures for obtaining pre-ordering information, including customer service records, address validation, telephone numbers, features and services, and due dates. Students are also instructed on the ordering capabilities available through LENS, including conversions as-specified and conversion-as-is orders, viewing of firm order confirmations, checking the status of orders, and changing existing orders. Also, contrary to MCI's claims that BellSouth does not update its OSS documentation to reflect systems changes, the LENS User Guide (September 20, 1997 edition), which was Exhibit WNS-48 to the original Stacy OSS affidavit, instructs CLECs on using the LENS enhancements provided in the October 6, 1997 release. BellSouth has also just released the fourth issue of the TAFI

Users Guide, and has updated the entire 3-ring binder Local Exchange Ordering Guide three times thus far this year, as well as issuing several selected pages updates. These updated guides also are available on the Internet at [www.bellsouth.com/interconnection/local](http://www.bellsouth.com/interconnection/local).

75. The DOJ, again accepting the complaints of AT&T at face value, states that BellSouth has failed to provide CLECs with the specifications, business rules, training, and other assistance needed to make our interfaces operate efficiently. On the contrary, BellSouth provides CLECs with a LENS Users Guide, a Local Exchange Ordering Implementation Guide focusing on EDI, and a TAFI Users Guide, the current versions of which are available on the public Internet at the web address given in the previous paragraph. An EDI-PC training package from Harbinger is provided to those who are interested in EDI-PC. These documents are included as Exhibits 48-51 of my original OSS affidavit. The Local Exchange Ordering Guide contains formatting requirements and the required USOCs/ordering codes and valid combinations that constitute business rules. Additionally, BellSouth distributed at the CLEC Workshop on October 30 and 31, 1997 copies of BellSouth's rejects requirements, giving further definition to business rules. Additionally, BellSouth is providing interested CLECs a copy of or access to the extensive edits used by SOCS (the Service Order Control System, into which all the CLEC and BST order systems flow the orders). BellSouth also offers regular training classes on EDI, LENS and TAFI.
76. Finally, LCI claims that BellSouth does not provide CLECs with adequate EDI training. LCI sent BellSouth a letter of appreciation on the EDI training they had received in July, 1997, which is Exhibit WNS-4.



## **VIII. LOCAL CARRIER SERVICE CENTER (LCSC)**

77. On p. 26 of ICI's comments, ICI introduced outdated audit information on BellSouth's LCSC. More recent audit information is available and attached as Exhibit WNS-5. This audit shows that the LCSCs are operationally ready.
78. Exhibit WNS-6 is the BellSouth Ordering Guide for CLECs, which is the manual ordering guide.

## **IX. MISCELLANEOUS**

79. MCI claims that BellSouth's OSS does not inform CLECs if a CLEC customer changes IXCs.. BellSouth, via a system called CARE (Customer Accounts Records Exchange), does provide IXC PIC changes to MCI (the IXC) and other interexchange carriers. An IXC PIC change confirmation is sent to the carrier. BellSouth has recently received a BFR from a different CLEC to provide the CLEC a copy of this confirmation. BellSouth will educate the CLECs on this process via a CLEC letter, which will have a form for the CLEC to send to BST to set up getting a copy of the IXC PIC change confirmation record. This CLEC capability will be available as of the first quarter of 1998. BellSouth has developed a report at the request of AT&T that provides it with notice when an AT&T customer drops AT&T's local service.

## **X. SUMMARY**

80. BellSouth's interfaces provide CLECs with equivalent access to the required information and functions, and therefore conform to the FCC's definition of non-discriminatory access.

I hereby swear that the foregoing is true and correct to the best of my information and belief.

William N. Stacy

William N. Stacy  
Assistant Vice President  
Interconnection Operations  
BellSouth Telecommunications, Inc.

Subscribed and sworn to before me this 15  
day of December, 1997.

Janie E Padgett  
Notary Public

Notary Public, Gwinnett County, GA  
My Commission Expires Feb. 19, 2000

WNS-1

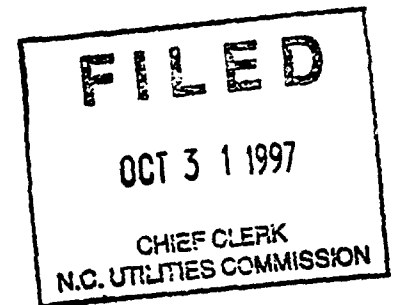
CC DOCKET NO. 97-208  
STACY OSS AFFIDAVIT

EXHIBIT WNS-1  
STATE OF NORTH CAROLINA'S UTILITIES COMMISSION  
PROPOSED ORDER

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. P-55, SUB 1022

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION



In the Matter of  
Application of BellSouth Telecommunications, )  
Inc., to Provide In-Region InterLATA Services ) PUBLIC STAFF  
Pursuant to Section 271 of the Telecommuni- ) PROPOSED ORDER  
cations Act of 1996 )

HEARD: September 22, 1997 - October 1, 1997, Commission Hearing Room 2115,  
Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Chairman Jo Anne Sanford, Presiding; and Commissioners Allyson K.  
Duncan, Ralph A. Hunt, Judy Hunt, William R. Pittman, J. Richard Conder,  
and Robert V. Owens, Jr.

APPEARANCES:

FOR BELLSOUTH TELECOMMUNICATIONS, INC.:

A.S. Povall, Jr., General Counsel - North Carolina  
William J. Ellenberg, II, General Attorney  
Edward L. Rankin, III, General Attorney  
J. Phillip Carver, General Attorney  
BellSouth Telecommunications, Inc.  
1521 BellSouth Plaza  
Post Office Box 30188  
Charlotte, North Carolina 28230

FOR BELLSOUTH LONG DISTANCE, INC.:

James P. Cain  
M. Gray Styers  
Kilpatrick Stockton, Attorneys at Law  
Post Office Box 300004  
Raleigh, North Carolina 27622

**FOR AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.:**

**Kenneth P. McNeely, Senior Attorney  
Steve Matthews  
Margaret Rhodes  
Francis P. Mood  
William Stoughton  
Kenneth W. Lewis  
AT&T Communications of the Southern States, Inc.  
1200 Peachtree Street  
Atlanta, Georgia 30309**

**FOR BUSINESS TELECOM, INC.:**

**Elizabeth Faecher Crabill  
Associate General Counsel  
Business Telecom, Inc.  
4300 Six Forks Road  
Raleigh, North Carolina 27609**

**FOR CARONET, LLC:**

**Steven Carr  
CaroNet, LLC  
Two Hanover Square  
Suite 1860  
434 Fayetteville Street  
Raleigh, North Carolina 27601**

**Robert W. Kaylor  
Suite 480  
225 Hillsborough Street  
Raleigh, North Carolina 27603**

**FOR DELTACOM, INC.:**

**Douglas J. Tate  
Robert F. Page  
Cynthia M. Currin  
Crisp, Page & Currin, LLP  
1305 Navaho Drive  
Suite 302  
Raleigh, North Carolina 27612**

Nanette S. Edwards  
DeltaCom, Inc.  
700 Boulevard South  
Suite 101  
Huntsville, Alabama 35802

FOR ICG TELECOM GROUP, INC., KMC TELECOM, INC., AND TCG OF THE  
CAROLINAS, INC.:

Henry C. Campen, Jr.  
Parker, Poe, Adams, and Bernstein  
Attorneys at Law  
150 Fayetteville Street Mall  
Suite 1400  
Raleigh, North Carolina 27602

FOR INTERMEDIA COMMUNICATIONS, INC.:

John R. Wallace  
Wallace, Creech and Sarda  
Attorneys at Law  
3605 Glenwood Avenue  
Suite 240  
Raleigh, North Carolina 27612

Jonathan E. Canis  
Kelley, Drye and Warren, LLP  
1200 19th Street, NW, Fifth Floor  
Washington, DC 20036

FOR MCI TELECOMMUNICATIONS CORPORATION:

Ralph McDonald  
Cathleen M. Plaut  
Bailey & Dixon, LLP  
Post Office Box 1351  
Raleigh, North Carolina 27602-1351

Richard D. Melson  
Hopping, Green, Sams and Smith  
Attorneys at Law  
123 South Calhoun Street  
Tallahassee, Florida, 32301

Susan J. Berlin  
MCI Telecommunications Corporation  
Suite 700  
780 Johnson Ferry Road  
Atlanta, Georgia 30342

**FOR SPRINT COMMUNICATIONS COMPANY L.P.:**

Benjamin W. Fincher  
Sprint Communications Company L.P.  
3100 Cumberland Circle  
Atlanta, Georgia 30033

Nancy Bentson Essex  
Poyner and Spruill  
Attorneys at Law  
Post Office Box 10096  
Raleigh, North Carolina 27605

**FOR THE ALLIANCE OF INDEPENDENT TELEPHONE COMPANIES AND  
CONCORD TELEPHONE COMPANY:**

James H. Jeffries, IV  
Jerry W. Amos  
Amos and Jeffries, LLP  
Post Office Box 787  
Greensboro, North Carolina 27402

**FOR THE TIME WARNER COMMUNICATIONS AND THE NORTH CAROLINA  
CABLE TELECOMMUNICATIONS ASSOCIATION:**

Wade H. Hargrove  
Marcus W. Trathen  
Brooks, Pierce, McLendon, Humphrey and Leonard  
Attorneys at Law  
Post Office Box 1800  
Raleigh, North Carolina 27602

**FOR WORLDCOM, INC., AND COMPETITIVE TELECOMMUNICATIONS  
ASSOCIATION (COMPTTEL):**

James P. West  
Evans, West and Woods, PA  
Post Office Box 2777  
Raleigh, North Carolina 27602



**FOR THE USING AND CONSUMING PUBLIC:**

**Antoinette R. Wike, Chief Counsel  
Paul L. Lassiter, Staff Attorney  
Amy Barnes Babb, Staff Attorney  
Public Staff - N.C. Utilities Commission  
Post Office Box 29520  
Raleigh, North Carolina 27626-0520**

**Karen E. Long, Assistant Attorney General  
North Carolina Department of Justice  
Post Office Box 629  
Raleigh, North Carolina 27602**

**BY THE COMMISSION: On August 5, 1997, BellSouth Telecommunications, Inc. ("BST" or "BellSouth"), filed with the North Carolina Utilities Commission (the "Commission"), pursuant to the Commission's Orders in this docket of August 21, 1996 and April 24, 1997, its Notice of Intent to File, on or after December 3, 1997, a 42 U.S.C. 271 Application For InterLATA Authority with the Federal Communications Commission ("FCC"). In its notice, BellSouth requested that the Commission set this matter for hearing to respond to the FCC's request for consultation pursuant to Section 271(d)(2)(B) of the Telecommunications Act of 1996 ("TA96" or the "Act"), to consider, evaluate and approve BellSouth's Statement of Generally Available Terms and Conditions (the "SGAT") pursuant to Section 252(f) of the Act, to find that BellSouth's SGAT meets the requirements of the fourteen-point checklist set forth in Section 271(c)(2)(B) of the Act, to establish an information-gathering process to determine the presence in North Carolina of one or more "unaffiliated competing providers of telephone exchange service to residential and business subscribers," and to find that BellSouth Long Distance, Inc.'s ("BSLD"), request to enter the long distance market in North Carolina is consistent with the public interest, convenience and necessity in accordance with Section 271(d)(3)(C) of the Act.**

**By Order dated August 11, 1997, the Commission scheduled the matter for hearing beginning at 1:00 p.m. on Monday, September 22, 1997, required all competing local providers ("CLPs") certificated by the Commission to file monthly reports to a series of questions attached to the Order beginning on the first day of December, 1997, scheduled testimony and proposed order filing dates, and requested that the parties file their list of witnesses, the preferred order for these witnesses and approximate cross-examination times by Wednesday, September 17, 1997.**

**On August 29, 1997, MCI and AT&T jointly filed a Motion to Dismiss BellSouth's Notice of Intent. On September 3 1997, Time Warner filed a Motion to Dismiss or Suspend the Docket. Sprint filed a Concurrence to these motions on September 5, 1997. On September 5, 1997, BellSouth filed its response in opposition to the Motions to Dismiss. On September 10, 1997, the Commission denied the Motions to Dismiss.**

Numerous other motions and pleadings have been filed in this docket, including numerous motions to intervene, and various orders have been issued by the Commission addressing those motions and pleadings. All of those motions, pleadings, and Commission Orders are matters of public record and are contained in the official files maintained by the Chief Clerk of the Commission.

At the evidentiary hearing, which began as scheduled on September 22, 1997, the parties offered the testimony of the following witnesses: BSLD - the testimony of William E. Taylor, Senior Vice President of National Economic Research Associates, Inc., Michael Raimondi, Executive Vice President of the WEFA Group, John E. Connaughton, Professor of Economics at the University of North Carolina at Charlotte and Director of the North Carolina Economic Forecast, and James G. Harralson, Vice President, General Counsel and Secretary; BST - the testimony of Alphonso J. Varner, Senior Director for Regulatory, Gloria Calhoun, Director of Regulatory Planning, Jerry W. Moore, Director in the Interconnection Operations Department, and W. Keith Milner, Director, Interconnection Operations; Intermedia Communications, Inc. ("Intermedia") - the testimony of Julia Strow, Director, Strategic Planning and Industry Policy; AT&T - the testimony of John M. Hamman, Technical Support Manager, Jay Bradbury, Manager in the Local Infrastructure and Access Management Organization, and Katherine N. Dailey, Staff Manager, Local Services Division; Negotiations Support; MCI offered the testimony of Ronald Martinez, Executive Staff Member II; AT&T and MCI jointly offered the testimony of David Kaserman, Torchmark Professor of Economics at Auburn University and Richard Cabe, economist; AT&T, MCI, CompTel, and WorldCom jointly offered the testimony of Joseph Gillan, economist; Sprint offered the testimony of Tom Nelson, Group Manager-Systems Planning and Integration and Melissa Cloz, Director-Local Market Development; TCG offered the testimony of Paul Kouroupas, Vice President, Regulatory and External Affairs and Frank Hoffman, Regional Director of Carrier Relations; KMC offered the testimony of Donald Menendez, Manager of Cost Engineering; DeltaCom offered the testimony of Steven Moses, Vice President of Network Services, which was adopted by Sandra Stisher, Vice President of Information and Services and Account Services; and CaroNet offered the testimony of Christopher Darby, President and CEO.

### **Local Competition in North Carolina**

#### **House Bill 161**

During the 1995 Legislative Session, the North Carolina General Assembly enacted House Bill 161 entitled "An Act to Provide the Public with Access to Low-Cost Telecommunications Service in a Changing Competitive Environment," which amended Chapter 62 of the North Carolina General Statutes to permit telecommunications public utilities subject to rate of return regulation pursuant to N.C.G.S. 62-133 to elect a form of price regulation in lieu of rate of return regulation and to allow competing local providers to enter the local telecommunications market where such entry is determined by this Commission to be in the public interest. House Bill 161 was effective on July 1, 1995, and

on October 4, 1995, BellSouth filed an application for an election of price regulation with the Commission under N.C.G.S. 62-133.5. BellSouth's application for price regulation was followed on October 23, 1995, by applications for price regulation by Carolina Telephone and Telegraph Company and Central Telephone Company. On November 1, 1995, GTE South Incorporated also filed an application for price regulation.

Under N.C.G.S. 62-133.5, the Commission is required, *inter alia*, to allow an electing local exchange company such as BellSouth to (1) set and determine its own depreciation rates; (2) rebalance its rates; and (3) adjust its prices in the aggregate, or adjust its prices for various aggregated categories of service, based upon changes in generally accepted indices of prices. This statute requires notice and hearing of applications for a price plan, allows different forms of price regulation between local exchange companies, and requires the Commission to approve price regulation upon finding that the proposed plan;

- (1) protects the affordability of basic local exchange service, as such service is defined by the Commission;
- (2) reasonably assures the continuation of basic local exchange service that meets the reasonable service standards that the Commission may adopt;
- (3) will not unreasonably prejudice any class of telephone customers, including telecommunications companies; and
- (4) is otherwise consistent with the public interest.

On May 2, 1996, the Commission entered orders in these dockets authorizing Commission-approved Price Regulation Plans for BellSouth, Carolina, Central, and GTE. By those Orders, the above referenced local exchange companies were required, not later than Monday, May 20, 1996, to file statements with the Commission stating whether they would accept and agree to all the terms, conditions, and provisions of the Commission-approved price regulation plans and indicate their willingness to implement those plans effective June 3, 1996. On May 20, 1996, BellSouth, Carolina, Central, and GTE each filed statements of acceptance regarding their respective price regulation plan. Pursuant to the Commission's approval of price regulation for BellSouth, BellSouth was ordered to reduce rates by \$60 million over a three-year period.

On July 3, 1995, the Commission received its first applications requesting certification as CLPs when both MCImetro Access Transmission Services, Inc. ("MCImetro"), and Time Warner Communications of North Carolina, L.P., filed for certificates. On March 12, 1996, the Commission issued its first order granting a CLP certificate. That certificate went to MCImetro. Shortly thereafter, the Commission issued CLP certificates to AT&T, Sprint, and GTE. As of October 1, 1997, the Commission had issued CLP certification to over thirty applicants, including many of the intervenors in this Section 271 proceeding.

## **The Telecommunications Act of 1996**

On February 8, 1996, President Clinton signed into law the Telecommunications Act of 1996. Section 252 of the Act provides that an incumbent local exchange carrier receiving a request for interconnection may negotiate and enter into a binding agreement with the requesting telecommunications carrier. The Act further provides in Section 252(b) that during the period from the 135th to the 160th day after the date on which an incumbent carrier received a request for negotiation under this section, the carrier or any party to the negotiations may petition a State commission to arbitrate any open issues.

On August 19, 1997, AT&T filed a petition with the Commission pursuant to Section 252(b) of TA96 and N.C.G.S. 62-110(f), requesting that this Commission arbitrate certain terms and conditions with respect to interconnection between AT&T, as the petitioning party, and BellSouth. On August 23, 1996, MCI filed a petition also requesting that this Commission arbitrate certain terms and conditions with respect to interconnection between MCI, as a petitioning party, and BellSouth.

By Order entered in Docket Nos. P-140, Sub 50, and P-100, Sub 133, on August 19, 1996, the Commission adopted certain procedures governing the arbitration proceedings, excluding intervenors other than the Attorney General from participating in the proceedings, and scheduled the AT&T/BellSouth proceeding for hearing beginning Monday, September 30, 1996. By Order of August 28, 1996, the Commission consolidated the AT&T/BellSouth arbitration in Docket No. P-140, Sub 50, with the MCI/BellSouth arbitration proceeding in Docket No. P-141, Sub 29.

The purpose of these proceedings was for the Commission to resolve the issues set forth in the petitions by AT&T and MCI pursuant to Section 252(b)(4)(C) of the Act. The Commission was directed by the Act to ensure that its arbitration decision meets the requirements of Section 251 and any valid Federal Communications Commission ("FCC") regulations pursuant to Section 252, to establish rates according to the provisions of Section 252(d) for interconnection, services, or network elements, and to provide a schedule for implementation of the terms and conditions by the parties to the agreement.

Pursuant to Section 252 of the Act, the FCC issued a First Report and Order in CC Docket Nos. 96-98 and 95-185 on August 8, 1996 (the "Interconnection Order"). This Order adopted a forward-looking incremental costing methodology for pricing unbundled telephone network elements which an incumbent local exchange company must sell new entrants, adopted certain pricing methodologies for calculating wholesale rates on resold telephone service, and provided proxy rates for State commissions that did not have appropriate costing studies for unbundled elements of wholesale services. Several parties, including this Commission, appealed from the Interconnection Order; and on October 15, 1996, the Eighth Circuit Court of Appeals issued a stay of the FCC's pricing provisions and its "pick and choose" rule pending the outcome of the appeal. On July 18, 1997, the Court

reversed the FCC with respect to certain portions of the FCC's Interconnection Order. Upon rehearing, the Court issued a further order on October 14, 1997.

On December 23, 1996, the Commission issued Recommended Arbitration Orders ("RAOs") on AT&T's and MCI's petitions for arbitration. These RAOs required AT&T, MCI and BellSouth to jointly prepare and file Composite Agreements in conformity with the conclusions of the RAOs within 45 days. BellSouth, AT&T and MCI filed Comments and Objections to these RAOs. Comments and Objections were also filed by various parties including the Attorney General. BellSouth, AT&T, and MCI also filed with the Commission lists of unresolved items. The Commission by Orders issued on April 11, 1997, ruled on the Comments and Objections. Pursuant to these Orders, BellSouth filed signed interconnection agreements with AT&T and with MCI. As of the present date, BellSouth has signed more than thirty interconnection agreement with CLPs in its North Carolina service area.

In addition to negotiating and arbitrating private interconnection agreements with CLPs, the Act provides under Section 252(f)(1) that a Bell Operating Company (BOC) may prepare and file with a State commission a statement of the terms and conditions that such company generally offers within that State to comply with the requirements of Section 251 and the regulations thereunder. Under Section 252 (f)(2), a State commission may not approve such statement unless it complies with Section 251 and the pricing standards for interconnection, UNE's, and resale contained in Section 252(d). BellSouth filed an SGAT with this Commission on August 5, 1997, as noted above.

### **The Statutory Framework of This Proceeding**

The Act conditions BOC entry into in-region interLATA services on compliance with certain provisions of Section 271. BOCs must apply to the FCC for authorization to provide interLATA services originating in any in-region State. The FCC must issue a written determination on each application no later than 90 days after receiving such application. In acting on a BOC's application for authority to provide in-region interLATA services, the FCC must consult with the United States Attorney General and give substantial weight to the Attorney General's evaluation of the BOC's application. Finally, the FCC must consult with the applicable State commissions to verify that the BOC has complied with the requirements of Section 271(c) of the Act.

According to Section 271(c)(1), a BOC may enter the in-region long distance business in a State in one of two ways. These are known as "Track A" and "Track B" and are as follows:

**Track A:** Under Section 271(c)(1)(A) – Presence of a facilities-based competitor – a Bell operating company must show that it has entered into one or more binding agreements that have been approved under Section 252 specifying the terms and conditions under which the Bell operating company is providing access and interconnection to its network facilities for the network facilities of one or more

unaffiliated competing providers of telephone exchange service to residential and business subscribers. Such telephone exchange service may be offered by such competing providers either exclusively over their own telephone exchange service facilities or predominantly over their own telephone exchange service facilities in combination with the resale of the telecommunications services of another carrier.

Track B: Under Section 271(c)(1)(B) – failure of CLP to request access – a Bell operating company can file a request for interLATA authority even if no facilities-based competition exists that would allow the Bell operating company to meet the requirements of Section 271(c)(1)(A). In this case, the Bell operating company must have filed a general statement of terms and conditions that the company generally offers to provide such access and interconnection and this statement must have been approved or permitted to take effect by the State commission under Section 252(f).

The access and interconnection provided offered either pursuant to agreements or pursuant to the SGAT must meet the requirements of the 14-point competitive checklist contained in Section 271(c)(2)(B). In addition, Section 271(d)(2)(B) of the Act requires the FCC to determine that the requested authorization will be carried out in accordance with the structural safeguards contained in Section 272, and Section 271(d)(2)(C) requires the FCC to determine that the requested authorization is in the public interest.

Although the FCC must consult with the State commission, it is clear that the FCC makes the decision on whether to grant in-region interLATA entry, subject to appellate review, and is allowed to pay little or no deference to the State commission's views. This Commission nevertheless takes its role seriously and has endeavored to fulfill its responsibilities under the Act. In this regard, we make no determination regarding BellSouth's Track A or Track B eligibility but will provide the FCC with the results of the information gathering process undertaken in connection with this proceeding. Accordingly, the questions addressed in this Order are limited to (1) whether BellSouth's SGAT complies with the requirements of the competitive checklist set out in Section 271(c)(2)(B) and (2) whether BellSouth's entry into the interLATA market is consistent with the public interest.

The requirements of the 14-point competitive checklist are as follows:

**Competitive Checklist.** –Access or interconnection provided or generally offered by a Bell operating company to other telecommunication carriers meets the requirements of this subparagraph if such access and interconnection includes each of the following:

- (1) Interconnection in accordance with the requirements of Sections 251(c)(2) and 252(d)(1).
- (2) Nondiscriminatory access to network elements in accordance with the requirements of Sections 251(c)(3) and 251(d)(1).

- (3) Nondiscriminatory access to the poles, ducts, conduits, and rights-of-way owned or controlled by the Bell operating company at just and reasonable rates in accordance with the requirements of Section 224.
- (4) Local loop transmission from the central office to the customer's premises, unbundled from local switching or other services.
- (5) Local transport from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services.
- (6) Local switching unbundled from transport, local loop transmission, or other services.
- (7) Nondiscriminatory access to— (a) 911 and E911 services, (b) directory assistance services to allow the other carrier's customers to obtain telephone numbers, and (c) operator call completion services.
- (8) White pages directory listings for customers of the other carrier's telephone exchange service.
- (9) Until the date by which telecommunications numbering administration guidelines, plan, or rules are established, nondiscriminatory access to telephone numbers for assignment to the other carrier's telephone exchange service customers. After that date, compliance with such guidelines, plan, or rules.
- (10) Nondiscriminatory access to databases and associated signaling necessary for call routing and completion.
- (11) Until the date by which the Commission issues regulations pursuant to Section 251 to require number portability, interim telecommunications number portability through remote call forwarding, direct inward dialing trunks, or other comparable arrangements, with as little impairment of functioning, quality, reliability, and convenience as possible. After that date, full compliance with such regulations.
- (12) Nondiscriminatory access to such services or information as are necessary to allow the requesting carrier to implement local dialing parity in accordance with the requirements of Section 251(b)(3).
- (13) Reciprocal compensation arrangements in accordance with the requirements of Section 252(d)(2).
- (14) Telecommunications services are available for resale in accordance with the requirements of Sections 251(c)(4) and 252(d)(3).

For the reasons set forth below, the Commission finds and concludes that BellSouth's SGAT meets the requirements of the competitive checklist set out in Section 271(c)(2)(B) of the Act and should be approved. Moreover, this Commission finds and concludes that BellSouth's entry into the interLATA market in North Carolina is in the public interest.

## COMPETITIVE CHECKLIST ITEMS

With regard to the fourteen competitive checklist items in Section 271(c)(2)(B) of the Act, the Commission makes the following findings:

ITEM 1. BellSouth is providing or generally offering interconnection in accordance with the requirements of Sections 251(c)(2) and 252(d)(1).

BellSouth witness Varner testified that Section 251(c)(2) of the Act outlines the additional obligations of ILECs regarding interconnection. Specifically, an ILEC, such as BellSouth, has the duty to provide interconnection of requested telecommunications carriers' facilities and equipment with its network for the purposes of transmission and routing of telephone exchange service and exchange access. This interconnection must be provided at any technically feasible point that is at least equal in quality to that provided by the ILEC to any other party including any subsidiary or affiliate of the ILEC. Interconnection allows for the exchange of local traffic between BellSouth and a CLP over trunks terminated at specified interconnection points. Such interconnection typically involves the following components in establishing complete and efficient interconnection of networks: (1) trunk termination points; (2) trunk directionality; (3) trunk termination method; and (4) interconnection billing.

Mr. Varner testified that Section I of BellSouth's SGAT provides for interconnection of networks that satisfies the components identified above. According to Mr. Varner, the SGAT offers reasonable and appropriate interconnection at terms, conditions, and prices that are consistent with the Act and with the decisions of this Commission. To the extent that CLPs want another form of interconnection under the SGAT, these arrangements may be negotiated or the Bona Fide Request Process is available.

For trunk termination, Mr. Varner testified that BellSouth's SGAT offers CLPs interconnection at BellSouth's tandems and/or end offices for the reciprocal exchange of local traffic. For trunk directionality, BellSouth offers routing of local and interLATA traffic over a single one-way trunk group. Access traffic, as well as all other traffic utilizing BellSouth's intermediary tandem switching function, can be routed via a separate trunk group, which is typically a two-way trunk group. When traffic other than local traffic is routed on the same facilities as local traffic, the Percentage Local Use ("PLU") will determine the amount of local minutes to be billed to the other company. Mr. Varner testified that as a method of trunk termination, BellSouth offers interconnection of facilities and equipment through: (1) virtual collocation; (2) physical collocation; and (3) interconnection via purchase of facilities from either company by the other company.

According to Mr. Varner, BellSouth has recognized that a CLP might need to interconnect with another carrier besides BellSouth through a BellSouth tandem. Although this functionality is not required by the checklist, BellSouth is offering intermediary service which provides for local tandem switching and transport services for CLP connection of its



end user to a local end user of another CLP or an ILEC other than BellSouth. This functionality is available if the two parties are connected through the same BellSouth tandem.

Mr. Varner testified that the ordering and provisioning of interconnection trunking services purchased from BellSouth by a CLP are set forth in Exhibit AJV-6, the Local Interconnection and Facility Based Ordering Guide. Specifically, a CLP will order interconnection trunking services using the industry standard Access Service Request ("ASR") procedures, the same procedures that are used for switched access services. The CLP will initiate the service order process by sending the ASR to the Local Carrier Service Center ("LCSC"), the group responsible for local interconnection service order issuance, via the mechanized Exchange Access Control and Tracking ("EXACT") system. CLP interconnection requests are negotiated and coordinated on an individual case basis. Due dates are based on the availability of facilities and are communicated to the CLP via a Firm Order Confirmation ("FOC"). Interconnection services are billed using the Carrier Access Billing System ("CABS"). Through these systems, BellSouth has installed more than 22,000 local interconnection trunks in its region.

Witness Calhoun testified as to how BellSouth provides non-discriminatory access to its operational support systems as required by the Act, the FCC's orders, and previous orders of this Commission. She also provided details of BellSouth's implementation for each electronic interface, including testing, capacity, documentation, and training, and to show that each interface is generally available or in commercial use. Ms. Calhoun's testimony is discussed in greater depth as it relates to Operational Support Systems ("OSS") under checklist item II.

BellSouth witness Milner testified as to BellSouth's abilities to provide access to certain services, unbundled network elements ("UNEs") and functionalities required by Section 251 and 271 of the Act. He stated that he had recently led a team of BellSouth product and project managers on a mission to gather information to verify that BellSouth had met the 14 point checklist. Mr. Milner also testified as to the specific number of items ordered by CLPs in North Carolina and in BellSouth's nine-state region. He stated that where a CLP has not ordered a certain checklist item, BellSouth has demonstrated through end-to-end testing procedures that once the item is ordered, BellSouth can provide, maintain, and render a bill for such UNE or resold service. As a result of his investigation, Mr. Milner asserted that BellSouth provides, in a functionally equivalent manner, each of the 14-point checklist items.

AT&T witness Hamman testified that BellSouth has not met the requirements of checklist item I. He asserted that BellSouth has not worked with AT&T in good faith to provide the most efficient trunking arrangements and has delayed AT&T's ability to interconnect where technically feasible. He also stated that BellSouth has scheduled four projects related to maintenance but that BellSouth has not completed these projects. Mr. Hamman's examples were not drawn from North Carolina but from experiences that AT&T has had in Georgia.